FOREIGN AGRICULTURE

Modern British creamery.

April 26, 1976

EC Dairy Surplus To Worsen

Colombia Cuts Soybean Area

Foreign Agricultural Service
U. S. DEPARTMENT OF AGRICULTURE

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This week's cover:

Control center of a modern Milk Marketing Board creamery at Alfreton, the United Kingdom, supervises the processing of 100,000 gallons of milk a day into butter and skim milk powder. Mounting output of these products is creating problems for the EC, according to the two articles opposite.

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EC Begins Push To Reduce Its Nonfat Dry Milk Surplus

By MATTIE R. SHARPLESS
Trade Operations Division
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WITH ITS mountain of nonfat dry milk stocks still building, the European Community has launched a program to draw down these stocks by next April. But the price will be high both for EC taxpayers, who must ultimately finance the program's generous subsidies, and for U.S. exporters of feed ingredients, who will lose substantial sales to the European Community over the next 7 months.

The new program, part of which went into effect March 19, calls for disposal of 800,000 metric tons of EC stocks of nonfat dry milk (NFDM) by April 1977. This is equivalent to two-thirds of the EC's NFDM surplus, which now stands at about 1.2 million tons.

Disposal of the 800,000 tons is to be accomplished through three steps:

- An increase of 23 percent in an EC subsidy on use of NFDM in calf feed (and other measures) to encourage use of 200,000 more tons in this major domestic outlet for NFDM;
- Donations of another 200,000 tons in food aid, already the main avenue for overseas shipments of NFDM; and
- An obligatory purchase program—enforced by a surety deposit and certification system—under which NFDM must be purchased from Government (intervention) stocks before vegetable protein ingredients may be bought. The goal is to achieve a 400,000-ton increase in EC use of NFDM in livestock feed by the end of October.

This latter step will raise the cost of livestock feeding in the European Community, while complicating feed compounding not geared to use of NFDM. It will also cut significantly into EC imports of vegetable proteins, particularly U.S. soybeans and soybean meal.

During calendar 1975, U.S. exports of these and other high-protein feed ingredients to the EC were $2 billion, which in turn made up 36 percent of the $5.6 billion in total U.S. farm sales there. Import charges on these products are bound in the General Agreement on Tariffs and Trade (GATT), and the

PURCHASE AND DEPOSIT REQUIREMENTS OF THE EC SURETY DEPOSIT AND CERTIFICATION SYSTEM FOR NONFAT DRY MILK

Item	Nonfat purchases per ton of other protein ingredients	Deposit per ton of other protein ingredients	
	Kg. per metric ton	*U.a. per metric ton*	*Dol. per metric ton*[1]
Soybeans, linseed meal	50	27	33
Peanuts, cottonseed, and sunflower meal	45	24.3	30
Residues from corn oil production	8.3	4.5	5
Other oilseeds meals	40	21.6	27
Soybeans and soybean flour	37.5	20.3	25
Linseeds and linseed flour	31	16.7	20
Cottonseed and cottonseed flour	23.9	12.9	16
Rapeseed and rapeseed flour	22.1	11.9	14
Peanut and peanut flour	23	12.4	15
Sunflower seed and flour	19.4	10.5	13
Other seeds and flour (excluding mustard and poppy seed and other minor oilseeds unsuitable for use in livestock feed)	14.4	7.8	9
Dehydrated forage products	8.3	4.5	5
Corn gluten	8.3	4.5	5
Other animal feed preparations	50	27	33

[1] Converted at $1.25=1 u.a.

U.S. Government is now engaged in consultations with the EC Commission, with the aim of obtaining removal of the new regulations as soon as possible.

How the program works. The obligatory purchase program is to be in effect from March 19 through October 31, 1976. But it can be extended (by qualified majority vote of the EC Council of Ministers) if necessary to dispose of the 400,000 tons specified. While it does not directly order increased use of NFDM in livestock feeds, the program will indirectly bring this result through its surety deposit and certification system, applicable to all imported vegetable protein products. Other proteins, such as fishmeal and urea, are not covered by the system.

Under the system, a crusher or feed manufacturer cannot import any oilseeds, oilseed cake and meal, corn gluten feed, certain other feeds, or dehydrated forage without first obtaining a "protein certificate." This certificate, valid for 3 months, will be issued only after the applicant pays a deposit, and the deposit will be returned after the specified amount of NFDM has been purchased. The protein certificate is not transferable and is valid only in the country in which it is issued.

As a general rule, required purchases and deposits are graduated according to relative market values of the feed ingredients—the higher the value, the higher the deposit and the NFDM purchase requirement.

For products with the highest value, such as soybean cake and meal, the manufacturer must pay a deposit of 27 u.a. (about $33) or provide a bank guarantee and agree to buy 50 kilograms of NFDM for every ton of the desired import. The charge on corn gluten feed, with its 23 percent lower protein content, is only 4.5 u.a. ($5 per ton), while the NFDM purchase requirement is 8.3 kilograms.

NFDM will be sold at a price of 521.60 u.a. ($652) per metric ton, which is 380 u.a. ($475) below the NFDM support price.

Buyers of products that were purchased before the effective date but imported after it must bear the costs arising from the regulation. However, this can be passed on in subsequent sales. Domestic rapeseed, sunflowerseed, linseed, soybeans, and dehydrated forage will also be subject to the purchase requirement. EC-produced corn gluten

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Despite new disposal program

EC Dairy Product Surpluses May Worsen During 1976

By LLOYD J. FLECK
Foreign Commodity Analysis—Dairy, Livestock, and Poultry
Foreign Agricultural Service

WHILE THE European Community pushes ahead in a drive to reduce its looming surpluses of nonfat dry milk, the evidence points toward quite a different eventuality—another gain in these surpluses to a new high of perhaps 1.4 million metric tons by the end of 1976.

This is enough to provide some 3 billion people with a gallon of skim milk apiece. It also could satisfy the EC's usual nonfat dry milk (NFDM) exports for the next 5 years—and perhaps even longer since markets are shrinking in the face of a dairy surplus that now permeates all of Western Europe, Oceania, and North America (excluding Mexico).

At the same time, other EC dairy products face problems. EC stocks of butter this year are climbing toward their highest level in several years. Cheese stocks are at near-record levels. And dried whey could return to its unwanted surplus role as nonfat dry milk usurps its use in livestock feed.

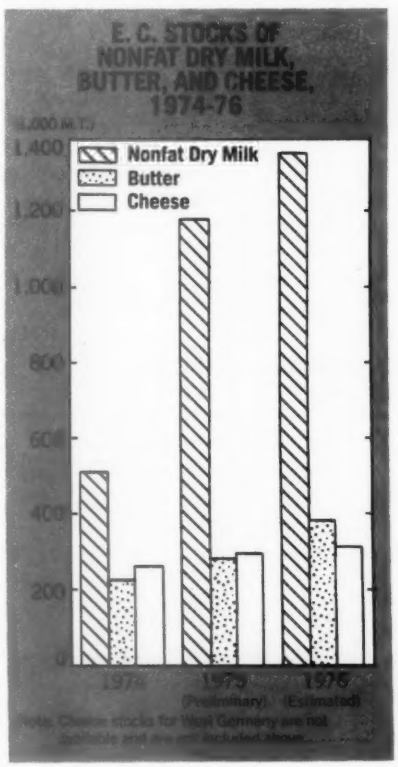
As in the past, increased target and intervention (support) prices for milk and dairy products are encouraging the upward thrust in stocks, despite stronger attempts than previously to slow the EC's ever-expanding milk output.

The EC has, for instance, lowered the rate of increase in 1976/77 milk target prices below the hefty advances of 10 and 13 percent in the previous 2 years. But even this slowdown, worked out after considerable wrangling among the various EC Member States, will not brake growth in EC milk production.

The proposed measures for the 1976/77 marketing year that began April 1 include a 7.5 percent boost in the milk target price, with the likelihood of its being held to about 6.88 percent as a result of more modest increases in intervention prices for butter and skim milk. (Target prices are only EC goals for average wholesale prices, while intervention prices—levels at which Member Governments guarantee to purchase farm products—are the vehicles for obtaining the targets.)

The intervention price increases—which, like the milk target price boost, will come in two phases—include for butter a gain of 4.1 percent on March 15, 1976, and one of 2.7 percent on September 16 and for NFDM, gains of 1.7 and 1.3 percent, respectively.

The alternative manufacturing use of milk, in cheese and its complement, whey, does not carry an intervention price (except for a few Italian hard cheeses). These products are indirectly supported by the butter and NFDM prices, however, since processing will take place only when their markets are



at least as financially attractive as that for butter/NFDM.

While these price increases may not give EC dairy producers windfall profits, they also lack the bite of an earlier proposal aimed at reducing NFDM production. That proposal would have made sales of NFDM into Government stocks subject to tender—and thus open to competitive bidding at prices below the intervention level.

Thus, the latest price hike will have the same impact on milk production as previous ones. Given normal weather, 1976 fluid milk production is expected to expand by over 1 percent, continuing the decade-long trend toward higher milk output.

The impact of this increase will be further magnified in the manufacturing sector. Since both fluid and feed uses of raw milk are declining, the quantity of milk entering dairy manufacturing will likely rise by over 2 percent in 1976.

And once again most of the added manufacturing milk will go into butter and NFDM production—forecast to rise by 4½ and 7½ percent, respectively, in 1976. Since commercial markets for both butter and NFDM are already saturated, every further gain in output results in a jump in stocks.

NFDM stocks would probably have approached 2 million tons by the end of 1976 if the EC had not taken extraordinary measures to dispose of an additional 800,000 tons of NFDM this year —half of this through a controversial program to divert NFDM into livestock feed. (See article on page 2.)

Even if the EC should reach this 800,000-ton goal, NFDM stocks would probably not fall below 1 million tons. More realistically, stocks will likely approach 1.4 million tons by yearend.

And stocks of the other dairy products, lacking special disposal programs, will climb toward record highs.

Stocks of butter, for instance, may rise by over 40 percent to 390,000 tons. This would be the highest level since the "butter mountain" of 1972, when the EC was forced to make subsidized sales to the USSR.

THE PROSPECTS of milk being switched to production of cheese and its complement, whey, portend equally perplexing problems—especially since whey's uses are limited and this product already is destined to suffer from the expanded use of NFDM in feed. Some sources have indicated that several hundred thousand tons of dried whey that normally go into feed could be totally displaced by NFDM, forcing a return to the mass dumping that once was largely this product's fate.

Thus regardless of the effectiveness of the NFDM disposal schemes during the rest of 1976, the EC will continue to face a dairy crisis at the beginning of 1977 unless some action is taken to slow production.

Why, in the face of such prospects, does the EC persist in policies that encourage high milk production? The answer is found in the structure of dairy farms in the Community:

- In Germany nearly two-thirds of farms have dairy cows, about 600,000 herds in all. Average herd size is 9 cows.
- In France, nearly three-fifths of all farms have dairy cows, amounting to nearly 700,000 herds. The average herd size is 11 cows.
- In Italy, about a quarter of all farms have dairy cows, totaling over 600,000 herds. The average herd size is about 5 cows.
- For all EC, over 40 percent of all farms have dairy cows, totaling 2.4 million herds. The average herd size is about 11 cows. (U.S. figures are 385,000 herds and an average herd of 30 cows.)

EC dairy policy is thus geared to maintain large numbers of small producers. While EC "structural" programs aim at improving herd size, the growth rate is so slow that it would take decades for the average EC dairy farm to reach the current U.S. average.

The costs of supporting these dairy programs are enormous. In 1975, the EC's dairy price guarantee program is expected to reach $2 billion out of a total agricultural budget of about $5 billion and even higher costs are expected in 1976. Besides EC programs, most national governments have special benefits for dairy farmers. For example, French dairy breeders received cow retention premiums amounting to about $40 per head in 1975, while dairymen were allowed tax rebates on equipment investments. In addition, the NFDM/import-deposit scheme will result in higher feed prices, which some European trade sources say will rise by 6-8 percent.

The ultimate costs of all these programs are paid by EC consumers, who have been squeezed by the economic recession of 1975. Ironically, while paying the price for an expanding dairy industry on the one hand, these consumers also have faced rising dairy product prices in the marketplace. They have resisted the higher prices—and may continue to do so in 1976—by reducing their consumption of fluid milk, holding steady their consumption of butter, and slowing the growth in cheese consumption. Thus, the snowballing surplus.

British consumers—long accustomed to low prices for dairy products—are being especially hard hit by EC dairy policies and may eventually reduce consumption of dairy products, just as other EC consumers have done.

EC DAIRY SUPPLY AND DISTRIBUTION, 1974-76
[In 1,000 metric tons, except for cow numbers at 1,000 head]

Item	Number of cows	Production: Per cow	Production: Cows' milk	Production: Other milk products	Production: Total	Consumption: Fluid use	Consumption: Factory use	Consumption: Feed and other	Consumption: Total utilized
Milk:									
1974	27,673	3,473	96,108	1,794	97,902	22,535	65,991	9,376	97,902
1975 (prelim.)	27,478	3,517	96,639	1,810	98,449	22,472	66,623	9,354	98,449
1976 (est.)	27,453	3,563	97,803	1,830	99,633	22,318	68,019	9,296	99,633
	Production	Beginning stocks	Imports	Total supply	Exports	Consumption	Total use	Ending stocks	Total dist.
Cheese:									
1974	2,893	234	577	3,704	687	2,758	3,445	259	3,704
1975 (prelim.)	2,908	259	593	3,760	642	2,823	3,465	295	3,760
1976 (est.)	2,981	295	572	3,848	651	2,866	3,517	330	3,848
Butter:									
1974	1,662	301	675	2,638	657	1,753	2,410	228	2,638
1975 (prelim.)	1,720	228	703	2,651	622	1,753	2,375	276	2,651
1976 (est.)	1,797	276	652	2,725	611	1,724	2,335	390	2,725
NFDM:									
1974	1,708	303	410	2,448	734	1,209	1,943	505	2,448
1975 (prelim.)	1,882	505	438	2,825	560	1,078	1,638	1,187	2,825
1976 (est.)	2,019	1,187	439	3,645	764	1,513	2,277	1,368	3,645

For example, a phaseout of some consumer subsidies in 1976 is expected to raise retail butter prices in the United Kingdom by 15 cents per pound, while cheese prices are expected to rise by 10 cents per pound. Higher milk prices could also divert more milk away from the fluid milk market into the manufacturing sector. The shift could be a large one, since the average Briton drinks three times more milk than the average German or Frenchman.

Already, there is evidence of these changes. For instance, milk deliveries by British farmers rose 7 percent in January 1976 from those of the previous January and probably 8 percent in February (non-leap year basis). At the same time, sales of milk for fluid consumption were off 1 percent. The net result of these changes was a 23 percent jump in milk available for manufacturing in January, with all of the increase channeled into production of butter and NFDM.

Increased availability of manufacturing milk in the United Kingdom would, in turn, have a major impact on the EC dairy industry. The United Kingdom accounts for about a quarter of the EC's imports of cheese and NFDM and two-thirds of the imports of butter. Much of this now comes from other EC members, rather than from past Commonwealth suppliers like Australia and New Zealand. Consequently, increases in U.K. output of any of these dairy products would further depress the outlook for other EC exporters.

THE EC's dairy oversupply crisis is also having a growing impact on the Community's trading partners. The United States, for instance, now faces a substantial problem with the NFDM security deposit scheme. This program, which will crimp the flow of U.S. soybeans to the EC, has been vigorously protested by U.S. officials.

Yet, given the strong organization of the EC dairy farmers, it seems unlikely that milk production can be reduced significantly. EC Commissioner Lardinois' recent proposal to reduce milk production by 2 million tons (by some unspecified date) will not likely solve the problem. The EC will be about 110 percent self-sufficient in dairy products in 1976. Allowing 2-4 percent of output for exports, EC milk production would need to fall 6-8 percent, or 6-8 million tons, to be in balance.

Zaire's Palm Oil Output Continues To Drop

Palm oil was at one time a major export from Zaire, but declining production and increasing domestic consumption may make Zaire a net vegetable oil importer by the end of the 1970's.

In 1959, the year before independence, Zaire—then known as the Belgian Congo—exported 184,000 tons of palm oil and 60,000 tons of palm kernel oil. Production declined in the 1960's because of postindependence civil disorders and the deterioration of transportation, marketing facilities, and other public services.

After the return of peace in 1968, the Government of Zaire decreed that 50 percent of the palm oil was to be sold domestically at prices far below the world market. The high cost of transportation from the interior to the ports eroded the price received by the producers for exported palm oil.

The low prices received for palm oil discouraged production because rural dwellers were unwilling to cut palm fruit or to do other field work at the prevailing wage rates. And the low prices paid for palm fruit caused plantations to be neglected and grow up in brush and weeds. There were almost no new plantings because potential returns did not warrant the investment.

Under the Zairianization program that began in November 1973, the ownership of all palm plantations (except the one owned by Unilever) was transferred to Zairians who were supposed to pay the former expatriate owners out of plantation earnings over a period of 10 years. The concomitant departure of the Portuguese, Pakistani, and Greek entrepreneurs—who managed the oil mills and the storage and transportation facilities—destroyed much of the existing market infrastructure. The supply of goods at the country stores dropped so sharply as a result of these departures that many palm workers refused to work because there was so little to buy with their wages.

Most of the untrained Zairians who had acquired the plantations were unable to operate them profitably; as a result political appointees representing the Government took charge in January 1975. But despite the production slump, Government policy continued to favor low prices.

In March 1975 the producer price for palm oil was $184 per ton, compared to the world market price of about $400. Palm oil is an important staple food in Zaire, and the Government wants to assure adequate supplies at prices the people can afford to pay.

Appreciable quantities of palm oil are also used to separate the gangue (worthless rock) from copper ore in the flotation process. A recovery in the world demand for copper—Zaire's principal export—would increase the domestic consumption of palm oil.

To supply Zairian consumers and the copper industry with palm oil, in the face of a steadily declining production, the Government first increased the amount that had to be sold domestically from 50 to 70 percent. On July 21, 1975, it put an embargo on palm oil exports. Nonetheless, illegal exports to neighboring countries, always a factor in the past, continued.

But even with an unknown amount being smuggled out of the country, domestic consumption in 1975 was not equal to production. The country's limited storage facilities were soon filled and plantations had to stop processing the palm fruit. To save the industry from further decline the Government lifted the export ban in October 1975. As a result, 12,820 tons of palm oil were exported in the last 3 months of 1975, bringing Zaire's palm oil exports to 53,192 tons for the year, down from 62,000 tons in 1974.

The ex-factory price of palm oil was raised to $290 per ton in September 1975. This has helped the more efficient, larger producers whose costs are about $250 per ton, but the costs of many older plantations and processing facilities run as high as $360-$400 per ton.

The Government of Zaire announced in January 1976 that some of the expropriated businesses would be returned to their former owners. Just how these transfers will be made is not known at present, but by this means the Government hopes to enlist the expertise of the former owners in managing the country's farms. Among these will be a number of palm oil plantations, whose production is sorely needed to help Zaire slow the downtrend in output and push production to the point where it will be nearer previous levels.

—HERBERT H. STEINER, ERS

Key Trade Policy Issues Affect Pacific Markets

By GORDON O. FRASER
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Foreign Agricultural Service

THE ASIAN PART of the Pacific Basin is an important market for U.S. agriculture, ranking second only to Western Europe in the purchase of U.S. farm products. At the same time, the United States is an important source of supply for Pacific nations that depend on imports for a portion of their food supplies.

Japan heads this list, which includes Korea, Taiwan, Hong Kong, the Philippines, and Indonesia as net food importers, the People's Republic of China (PRC) as an in-and-out importer, and Australia and New Zealand, which are net food exporters.

The continued development of the Pacific market presents two principal challenges in the years ahead. First, the United States needs to assure the region that U.S. agriculture can be counted on for long-term supply availability of the agricultural products upon which Japan and other Pacific countries depend.

Second, just as important, there is a vital need to remove import barriers to U.S. agricultural exports of all types and to take whatever other measures are necessary to assure fair competition for these markets between the United States and third-country suppliers.

Our Government is heavily involved in these endeavors on several fronts.

Recent export performance: Recent export data show that the Pacific market now accounts for about one-fourth of all U.S. agricultural exports, and the growth in recent years has been tremendous. In Japan, for example, U.S. agricultural exports rose from $1.2 billion in fiscal 72 to $3.4 billion in fiscal 1974!

Even though Japan's economy then began to cool off and Japanese food imports decreased, U.S. agricultural exports to this market in fiscal 1975 totaled $3.2 billion. Japan is by far the largest single country market for U.S. agriculture, taking the production of some 14 million American acres.

Japan's two major agriculture imports from the United States in fiscal 1975 were corn, valued at $706 million, and soybeans, worth $651 million. The Republic of China (Taiwan) imported $155 million in soybeans and $375 million in corn; Korea imported $51 million in corn; and the PRC imported $32 million in soybeans.

U.S. Farm Policy: Obviously these exports to Japan and the rest of the Pacific Basin are an important factor in the maintenance of the U.S. agricultural policy of full production for the market.

Today, the United States exports two-thirds of its wheat, one-half of its soybean production, and one-fourth of its feedgrains. Without these exports, the United States would face a return to surplus buildups and production restrictions.

Japan as a market is a major element in our annual production equation. It is reassuring to be able to count on Japan to take about one-fifth of U.S. feedgrain exports and one-sixth of U.S. exports of soybeans and soybean products. Our trading history with Japan contrasts strongly with certain other large consuming nations whose position in the market has been far less certain from year to year.

In my opinion, countries that want the United States to be a reliable supplier should be reliable buyers themselves. I agree with the Japanese view that their buying consistency and their reliance upon U.S. supplies entitle them to priority consideration whenever this country contemplates changes in its agricultural policies.

We do look after Japan's interests, and we will continue to do so. In 1973, for example, the Department of Agriculture stoutly, although in vain, argued against the ill-advised embargo on soybeans and oilseed products, and in the subsequent years we have consistently resisted pressures for the imposition of export controls.

Those who have campaigned loudly for export controls have generally misread the U.S. supply situation, and have only served to make good customers, such as Japan, apprehensive regarding the dependability of the United States as a supplier.

In August 1975, Secretary Butz sought to remove any uncertainties that might have existed regarding our future supply position by entering into an understanding with Japan's Agriculture Minister Abe that the United States has full intentions of meeting Japan's needs for 14 million tons per year of corn, wheat, and soybeans for the next 3 years.

At the same time, understandings such as those reached with Japan and the USSR in 1975 should help guarantee a continued U.S. policy of full production.

International Trade Policy—the Geneva MTN: USDA expects the Pacific market to continue to grow in the coming years. We are optimistic that lagging economies will revive in 1976, and we are hopeful that the multilateral trade negotiations (MTN) under way in Geneva will result in further easing of trade restrictions in these markets.

Past negotiations, the most recent of which was the Kennedy Round of 1964-67, have focused largely on tariff cuts by the larger trading nations. Tariff cuts will also be an important part of the current negotiations.

In recent years, however, the trading community has been far more concerned with nontariff measures that have been employed by importing countries to regulate or restrict imports. The measures have taken various forms—quotas, variable levies, restrictive licensing, state trading, questionable health and sanitary restrictions, and others—but the net effect has been to diminish the comparative advantage held by the world's more efficient producers of agricultural commodities.

THE CURRENT negotiations will address these problems, we hope with positive results. In the Pacific, for example, we want to obtain the removal of some of Japan's remaining quantitative restrictions on items such as beef, fresh oranges, peanuts, and certain fruit juices; it is hoped that the Philippines will join General Agreement on Tariffs and Trade (GATT) and relax its import licensing system. The numerous health

Remarks presented at Cornell College, Mount Vernon, Iowa, February 23.

and sanitary regulations maintained by Australia and New Zealand that restrict trade also should be modified.

There are many other trade barriers and distortions to be dealt with in the MTN. Of particular interest to the United States will be the basic issues surrounding export subsidies and countervailing duties. We strongly dislike the way in which export subsidies counteract the principles of comparative advantage. Our farmers should not have to compete with the treasuries of other governments in either our own market or in third countries.

The U.S. countervailing duty law can be invoked when products are being subsidized for export to the U.S. market. However, we cannot use this to deal with unfair competition in third-country markets. Therefore, we are pushing in Geneva for an agreement on a comprehensive code on the use of subsidies and countervailing duties.

The current GATT articles on subsidies are vague and ineffective. We have proposed a system that would outlaw export subsidies that are clearly for the purpose of promoting exports at prices lower than those in the domestic market of exporting countries. Other types of internal subsidies might be permitted, providing they have no significant effect on exports.

THE ISSUE of subsidies has relevance to our trade with the Pacific Basin, primarily in the way our exports to this market can be, and are, undercut by third-country subsidies.

For example, we have recently developed a prosperous egg market in Hong Kong and our exporters are concerned that other egg producers may try to capture this market through export subsidies. There is no reason for Hong Kong to take action against the subsidized imports.

To deal with this problem, we are also seeking to include in the subsidy code a provision that would permit retaliation by the United States or other affected exporters directly against the subsidizing country.

The major problem in the food supply question is that while most countries agree that the system needs to be improved, there is little agreement on the methodology. The United States feels strongly that there need not be a short-run food supply shortage so long as the market is permitted to function in a manner that encourages full production by the efficient food producers.

First, international commerce needs to be liberalized to the point where efficient producers will have a fair chance to market their product.

Second, we need improved data-sharing by producers and consumers so that we can better forecast supply and demand.

Third, production planning is facilitated by long-term understandings between the major suppliers and buyers in the market. Some people argue for binding long-term supply contracts, but there are difficulties with such arrangements.

For too long, many importing countries have operated with minimal stocks, depending on large U.S. reserves to meet their needs. The situation has changed. Countries, such as Japan, that depend heavily on imported food will need to maintain greater reserves and pipeline stocks of their own. This means building more storage, and we are encouraged by moves in this direction in Japan.

In the long term, all countries—especially the developing countries—increasingly will have to develop their food production potential if there is to be sufficient food to meet the exploding population of the world. In the past year, the United States has been involved in international negotiations on proposed commodity agreements for coffee, cocoa, and tin. Sugar negotiations are scheduled for late 1976. While the negotiations to date have not been critically important to the Pacific countries (except, perhaps, for tin), they are important if they establish precedents for proposed agreements on other commodities.

In the Department of Agriculture, we are opposed to such agreements for all the basic farm commodities and especially on grains. These agreements have been tried in the past and they have not worked. Yet it is surprising how many countries, developed and developing, continue to believe that commodity agreements are the only answer.

The United States is about the only country that believes that a free functioning market is the way to ensure the production responses from farmers that are necessary to meet the world needs for food and other basic commodities. There will be a tremendous fight in Geneva over this fundamental difference in economic philosophy.

IADB Loans to Latin America Hit Record

The Inter-American Development Bank has announced record loans of $332 million for agricultural development in Latin America in 1975. Total IADB loans to the area of $1.4 billion topped those of the previous year by 19 percent.

Largest single category receiving loans during the year was agriculture, with loans going to Argentina, Bolivia, Brazil, Coasta Rica, Mexico, Paraguay, and to farm cooperatives affiliated with the Latin American Confederation of Savings and Loan Cooperatives in 10 of the Bank's member countries.

The bulk of the agricultural loans—$146 million—are helping to finance four major programs in Mexico, including a national cattle tick campaign, a farm credit program, an integrated rural development program, and an agricultural credit program for irrigation zones in which the infrastructure was partially financed by Bank loans.

Other Bank-financed projects in the sector included a program of agriculture and livestock mechanization and supervised credit in Argentina, for which the Bank authorized two loans totaling $89 million, as well as a credit program for forestry development, also in Argentina, for which the Bank extended a $30 million loan, the first financing ever approved by the Bank for a project of this type.

In addition, the Bank extended a $40 million loan to Brazil to help finance a global program of supervised credit for small- and medium-scale producers and farm cooperatives.

The loans authorized by the Bank for Bolivia, Costa Rica, and Paraguay will help finance pork production, the development of fisheries, and a program to control animal diseases, respectively.

Spain Eyes Mid/Far East Sales

Spain plans to send trade teams during 1976 to the Middle East and Far East to develop export markets for Spanish fruit and canned vegetables.

A team is to go to Japan and Australia in connection with market development for canned vegetables, and teams are to travel to Saudi Arabia, Kuwait, Iran, Iraq, and the Persian Gulf Emirates to promote canned vegetables and fruit.

After brief self-sufficiency

Colombia Cuts Soybean Area In Response To Lower Prices

By ALFRED R. PERSI
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IN THE AFTERMATH of falling world prices for soybeans, Colombian farmers last September turned away from this crop, reducing total plantings by about 30 percent below those of 1974, a record year. Their move assuredly ended Colombia's brief attempt at exporting soybeans—tried in early 1975 after a 25-year climb toward self-sufficiency—and has prompted imports of soybean oil and possibly soybean meal in 1976.

However, with domestic use of soybeans on the rise, and research underway to find better adapted varieties, many Colombians retain hope that soybeans will eventually live up to their earlier promise.

Setting the stage for Colombia's soybean problems was the surge in 1974 plantings to a peak 173,400 acres. This culmination of a long uphill climb, which moved soybean area from around 15,000 acres in 1958 to an interim high of 113,000 in 1967 and then on to their 1974 record, made Colombia self-sufficient in soybeans in 1975 for the first time.

Indeed, following imports of 39,400 tons of U.S. soybeans in 1974 to cover domestic oil shortages and then the bumper main crop of January/February 1975, Colombia found itself with a soybean surplus. Consequently, a leading domestic cooperative, acting as agent for the growers, withheld 13,000 tons of beans from the market and requested Government permission to export this amount to neighboring countries such as Venezuela and Ecuador.

Early in 1975, domestic processors had been offering the farmers about $215 per ton. But by the time the Government gave its export approval, world prices had fallen from the $320 per ton prevailing when the request was made to only $180 per ton.

Rather than move the soybeans into export at a loss, the cooperative stored the beans in private warehouses in hopes of getting a better price from domestic processors. The storage costs amounted to about $33 per ton, meaning a loss of nearly $50 per ton when the beans finally were sold for $200 per ton at the end of the year.

Meanwhile, Colombian soybean producers and processors emerged from their traditional price-fixing sessions with no agreed price for new-crop soybeans. The producers, complaining that soybean production costs exceed $224 per ton, were not happy with the $200 the processors were willing to pay.

This impasse prompted soybean producers to reduce plantings in the fall of 1975 to less than 40,000 acres, for a total 1975 soybean area of around 120,000 acres. Corn and sorghum received the bulk of the diverted acreage, but their gain—like soybeans' early last year—could well be short-lived if surpluses discourage future plantings.

FOR SOYBEANS the country's fling as a surplus producer has ended as a result of the reduced plantings, plus damage to the crop as a result of floods last December in the Cauca Valley.

Thus, the nation in 1976 will be back in the soybean import market. Any such purchases will most likely be in the form of soybean oil and possibly meal, since the Government is not expected to grant import licenses for soybeans in 1976.

Currently, the most pressing need is for oil to avoid domestic shortages. The Government early this year announced an international tender for the import of 5,000 tons of refined soybean oil and conceivably could permit additional imports depending on supplies of other domestic vegetable oil products such as palm oil.

All of Colombia's domestically produced oil is consumed at home. In 1974, output of soybean oil reached a peak of 27,000 tons, only to fall to an estimated 20,000 tons in 1975 as a result of the cessation of soybean imports that year.

Until recently, all the soybean meal produced by the Colombian processing industry also had been consumed domestically, with about 80 percent used for poultry feeding and 20 percent for swine feeding. In 1974, however, soybean meal output soared to an alltime high of 142,000 tons, leaving sizable quantities for export in 1974 and 1975.

In 1974, the country was able to ship 2,000 tons of meal to Costa Rica and Panama, while in April 1975, the Government authorized shipments of 45,000 tons of soybean meal during calendar 1975. As of July 1975, export registrations for 33,000 tons of this meal were recorded with INCOMEX—Colombia's foreign trade institute—with Venezuela, Trinidad-Tobago, Panama, and Costa Rica the major destinations.

But 1975 production of soybean meal is estimated at only 103,000 tons, or 39,000 tons below that of the previous year. Together with Colombia's smaller availability of domestic soybeans, this reduction suggests that Colombia's exportable surplus of meal has been wiped out. Thus, imports may be necessary, especially in view of a continuing growth in Colombian demand for soybean products.

One new manifestation of this demand was the appearance last summer of a soya meat extender on the domestic market. Introduced by a major Colombian cracker manufacturer, the product found sufficient acceptance to prompt a leading soybean processor to begin producing textured soya for use in the manufacture of meat extenders. This same processor plans to install equipment for the manufacture of soy analogs in late 1976.

Given the rising domestic demand for soybean oil and meal—and the requirements of a well-established domestic processing industry—it seems logical that Colombian soybean production will pick up again in 1976.

Also important will be research efforts now underway to develop additional food uses for soybeans. Among these are studies by the Colombian Government nutrition Agency into the nutritional and protein value of soybeans in the human diet and by the Institute of Technological Research. The latter already has developed a soy-based protein drink for use in diet-enrichment pro-

Left, a Colombian plant that produces certified soybean seed. Below, commercial cultivation of soybeans in Colombia's Cauca Valley, center of the nation's soybean industry. Since the crop's introduction in the Cauca Valley nearly 50 years ago, Colombia has steadily expanded output, surpassing self-sufficiency for the first time last year. But the gain coincided with the world soybean, glut, and farmers have turned away from soybeans.

grams to alleviate protein deficiency in Colombia.

As in the past, much of the production growth will be in the lush Cauca Valley of Colombia's Southwest. Here, soybeans were introduced as a fledgling experimental crop in 1928, then nourished and adapted to the region's climate and soil during the next 2 decades.

Centered initially at the Government's Agricultural Research Institute in Palmira, these efforts led to commercial production by the 1950's and establishment of soybean processing plants in the Cauca Valley.

In recent years, 10-18 percent of cultivated land in the Cauca Valley has supported two soybean crops a year—a minor crop planted in February-March and harvested in July-August and a major crop planted in September-October and harvested the following January-February.

Planting of the crop is coordinated with that of cotton and competes with sugarcane, the main year-round crop with about 30 percent of the Valley's cultivated areas; corn; and sorghum.

This competition from other crops will continue to have a bearing on soybean production in the Cauca Valley. However, a spokesman of COAGRO, the regional agricultural producers cooperative in Cali, feels that the Valley could produce a potential 200,000 tons from nearly 250,000 acres if farmers are given a good price.

At the same time, the Colombian Agricultural Institute continues to experiment with new soybean varieties that could lead to expansion of the crop into other areas of Colombia. Producers feel that once a breakthrough is made, soybean production can be expanded to the Department of Tolima (northeast of the Cauca Valley) and the northern coastal area, where about 1 percent of the soybean crop now is produced. Once this occurs, Colombia would be in a stronger position to export soybeans.

However, production costs, which are considered to be higher than in the major producing countries of the world, will have to be brought down if Colombian soybeans are to compete on the world market.

Larger USSR Inputs Fail To Boost Grain Harvest

THE SOVIET UNION'S disappointing 1975 grain harvest—the smallest in 10 years—occurred in the wake of significant increases in key agricultural inputs, including farm machinery, fertilizer, and chemicals.

Mineral fertilizers were applied to 26.6 million hectares of grain—3 million more than were fertilized in 1974. An additional 4 million tons of organic fertilizer were applied to grain land in 1975. High-yield grain varieties were sown on 9 million more hectares than in the previous year.

Despite these plus factors, total USSR grain production for 1975 was only 140 million tons, including 77 million tons in the Russian Soviet Federated Socialist Republic (RSFSR), 33.8 million in the Ukraine, 5.1 million tons in Belorussia, and 2.7 million tons in Moldavia.

Production in Kazakhstan during 1975 probably amounted to only 11.7 million tons—the lowest outturn there since 1965. The remaining republics account for the other 9.7 million tons of grain reportedly produced in 1975.

Although the separate State procurement amounts have not been announced, speeches presented in Kazakhstan and the Ukraine indicate that total procurements during 1971-75 were about 61.3 million tons in Kazakhstan and were 27 percent larger than those procured during the same period in the Ukraine, which would place 1975 grain procurements in Kazakhstan and the Ukraine at 5.2 million and 14.8 million tons, respectively. Total procurements probably amounted to only 50 million tons.

Fall 1975 sowing of winter grains was completed on 35.8 million hectares, 2.1 million more than were sown in autumn 1974. The 1975 sowing plan called for 35 million hectares.

Total fall plowing in 1975 reportedly reached 114 million hectares, compared with 116 million hectares in 1974. State and collective farms have been urged to have their machinery in proper repair for spring field work, but delays in repair have been reported in some areas. Since most farm machinery is not stored under cover, winter weather had contributed to repair slowdowns.

Irrigation and reclamation efforts are being increased. More than two-thirds of all arable land in the Soviet Union lies in the dry zones. To expand and improve the available crop area, about 9 million hectares were brought under irrigation or drained during the ninth 5-year plan (1971-75).

Since 1966, about 25 million hectares have been improved for agricultural purposes (15 million hectares irrigated; 10 million acres drained). About half this expanded and improved area reportedly is used for cotton, rice, and forage production.

The plan for 1976-80 calls for an additional 4 million hectares to be brought under irrigation and 4.7 million hectares to be reclaimed and drained.

The increased demand for grain in the Soviet Union during the past 10 years has been for feed, rather than for food. Consumption of bread and bread products has declined from 156 kilograms per capita in 1965 to an estimated 140 kilograms in 1975. The larger livestock numbers, however, require larger grain inputs for feed.

As a result, there have been some changes in the types of grains produced in the past several years. Areas sown to high-yield feedgrains have been expanded. Area sown to oats increased from 9.2 million hectares in 1970 to an estimated 12.5 million in 1975.

Oat production reportedly was greater than that of spring wheat in western Siberia, eastern Siberia, and the central black-soil zone.

Spring barley area increased from 20 million hectares in 1970 to an estimated 31.4 million in 1975. Barley yields reportedly were better than those of wheat, even when less fertilizer was applied.

Soviet agricultural planners, while urging greater production of small grains in the northern areas, are calling for expanded planting of corn and sorghum in the southern areas.

Corn for grain is to occupy no less than 6 million hectares and sorghum no less than 2 million hectares in 1976—significantly larger areas than the estimated 4.2 million hectares of corn and 140,000 hectares of sorghum planted in 1975.

Area planted to high-yield hybrid corn is to be increased in the north Caucasus, Ukraine, Moldavia, Kazakhstan, and central Asia.

Rice sowing increased from 350,000 hectares in 1970 to 491,000 in 1975, largely on expanded irrigated fields.

Rice production nearly doubled during the 5-year period, reaching nearly 2 million tons in 1975. For 1976, production area is expected to reach 530,000 hectares.

Mineral fertilizers are applied to grain primarily in the Ukraine, Moldavia, and

Threshing on a Soviet State farm in Kazakhstan

USSR's 1976 Grain Goals

Official USSR 1976 grain production plans have been set as follows: RSFSR, 116 million tons; Ukraine, 46-48 million tons; and Kazakhstan, 25.5 million tons. Assuming an additional 18-20 million tons from the remaining republics, the total planned harvest apparently is 207-209 million tons, less than the projected 5-year average (1976-80) of 215-220 million tons but consistent with the Soviet statement made in December that 1976 production would be 14 percent greater than the average of the ninth 5-year plan (1971-75).

Planned grain deliveries in 1976 include RSFSR, 52 million tons; Ukraine, 16.4 million tons; and Kazakhstan, 15.2 million tons.

(ti photo)

north Caucasus. Soviet research indicates that 1 centner (100 kilograms) of standard fertilizer will, on average, result in a 1.1-1.2 centner increase in grain production.

In 1975, about 26.6 million tons of mineral fertilizer were applied to grain —36 percent of the amount received for agricultural purposes during the year.

By 1980, the rate is expected to increase to 44-46 million tons or 39 percent of availability—equal to 4 centners per hectare. Total fertilizer availability to agriculture in 1976 is projected at 78.6 million tons.

Increased use of mineral fertilizers is recommended for high-yield and hybrid grain varieties, fallow ground, weed-free land, and irrigated land. In Siberia and north Kazakhstan, where the growing season is short, agricultural leaders are urging increased use of phosphorus fertilizers to increase yields and hasten plant maturity and grain ripening by 5-7 days.

To facilitate movement and care of mineral fertilizers, storage facilities are to be constructed near areas of agricultural production. The tenth 5-year plan (1976-80) calls for 12 million tons of storage capacity, of which 1.3 million are to be constructed during 1976.

—Based on report from
LARRY L. PANASUK,
Assistant U.S. Agricultural Attaché, Moscow

U.S. Export Opportunities For Meat Seen Increasing

Per capita consumption of beef and veal in the United States in 1975 reached a record level of 124 pounds, and USDA estimates that further increases in consumption will occur over the next several years.

U.S. per capita consumption of beef and veal last year was double the amount consumed in the European Community (EC) and 18 times that consumed in Japan—levels that indicate good marketing possibilities for beef to these and other industrial countries.

To explore foreign markets for U.S. meat, USDA on March 3 signed a cooperative agreement with the U.S. Meat Export Federation. Under the agreement, the Foreign Agricultural Service will assist the Federation in developing and maintaining markets for U.S. meat and meat products in Japan and Europe.

BOTH Japan and Europe offer good market prospects, but there currently are some limitations to trade.

U.S. beef can be landed in Japan or the EC at prices competitive with domestically produced beef. But this competitive advantage is offset, for the most part, by import charges, or quantitative restrictions, or both. The United States generally is left with either specialty markets, such as high-quality beef for European hotels or sporadic imports to fill temporary shortages.

In 1975, the United States shipped 2.5 million pounds of beef and veal to EC countries and 17.7 million pounds to Japan. This year, shipments to Europe are expected to increase as economic conditions improve, but most of the beef still will be for the specialized hotel and restaurant market.

Beef exports to Japan in 1976 may reach 50 million pounds, largely because the Japanese economy is recovering rapidly and domestic beef production is expected to be down.

In January 1976, domestically produced beef in Japan was wholesaling at an average of $3 per pound. Comparable U.S. production could then be landed in Japan at about 95 cents per pound. Import charges on beef raised the effective price to about $1.20 per pound, but quota limitations restricted the market.

In the EC, beef prices vary considerably between countries—despite the "common" market. They are generally lowest in the United Kingdom. At the end of February, beef sides were wholesaling at about 75 cents per pound in the United Kingdom. The comparable landed price for U.S. beef was 72 cents per pound. Import charges, however, brought the effective price for U.S. beef up to about $1.15—again limiting the U.S. product to competition with the top end of the market.

U.S. exports of beef and veal to Japan and Europe last year were valued at $30 million—43 percent of the U.S. total. Meat and meat product exports to Japan and the EC were valued at $271 million—63 percent of the U.S. total. Of total U.S. livestock and livestock products exported—amounting to $1.5 billion in 1975—nearly 30 percent came from the meat and meat products category.

Soaring beef production in exporting countries, combined with the imposition of protective trade barriers by importing countries, resulted in 2 chaotic years for the world meat trade. A slightly brighter picture for 1976 results primarily from prospects for cutbacks in domestic beef production in major import markets, such as Japan and the EC. Reduced domestic production in these countries should lead to reduction of import barriers.

If trade restrictions ease, lower supplies coupled with recovering consumer demand for beef could propel global beef and veal exports in 1976 some 14 percent over 1975's depressed volume. But this larger amount still would be below the record 2.6 million tons shipped in 1973.

With an expanding world population, increasing per capita incomes, and a general desire for better diet, there should be greater beef consumption in the future—and an export opportunity for the U.S. cattle industry.

Portion of remarks by Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity Programs, before the California Cattle Feeders' Association, March 20.

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EC To Reduce Nonfat Surplus

Continued from page 3

feed, on the other hand, has been exempted.

NFDM purchased under the program is being denatured to prevent its use in calf feeds, which account for over 70 percent of the NFDM used in the EC. This move apparently is to ensure that feed manufacturers do not simply obtain their NFDM for calf feed through the program, while reducing commercial purchases of the NFDM, rather than increasing usage in hog and poultry feeds.

The EC Council has given general authorization to make the following changes in the regulations:

- The deposit will be refunded when NFDM is purchased for products destined for certain food uses (such as for the manufacture of soy flour for human consumption); and
- Relaxation in the requirement that NFDM be denatured, in certain cases where it is mixed into a particular feed.

The final regulations also could include a storage program proposed earlier that would have allowed private storage of 250,000 tons of "certain protein products." This part of the program was soundly rejected by the European Parliament, however, reflecting the overall unpopularity of the entire scheme.

In addition, the EC has changed its regulations on skim milk returned to farmers for feed and for NFDM used in calf feeds so as to bring the 200,000-ton gain desired in this area. The changes:

- An increase in the liquid skim milk subsidy from $42.40 per ton in 1975/76 to $52 in 1976/77;
- A shift in the bracket within which the subsidy must be established, from $375-$500 per ton in 1975/76 to $412.50-$537.50; and
- A requirement that manufacturers produce calf feeds containing at least 60-65 percent of NFDM, compared with a normal content of 50 percent, to qualify for the subsidy.

The program's impact. The EC deposit scheme has been viewed by the U.S. Government and trade as highly discriminatory since it strikes at soybean meal especially hard, distorting consumption of vegetable proteins and encouraging use of grains and proteins not covered by the scheme—fish, meat, bone, feather, and blood meal and urea.

Among the hardest hit within the EC will be small farmers with little or no use for NFDM in their feeds and small feed manufacturers lacking the technology or equipment to use NFDM.

The displacement of soybean meal with NFDM plus the higher feeding costs resulting from the mixing regulations are expected to bring a reduction of about 500,000 tons in U.S. soybean meal sales to the EC.

Of the 500,000-ton loss, 380,000 tons is expected to come through direct replacement of soybean meal with NFDM and about 120,000 tons through higher feeding costs.

When the dry matter and methionine content of nonfat dry milk are considered, the NFDM/soybean meal substitution ration is about 1:0.95. Thus, 400,000 tons of NFDM in feeds would displace 380,000 tons of soybean meal.

Since Brazilian soybean meal and other competing products are likely to be offered at discounts, U.S. exports will bear virtually all of the loss in vegetable protein sales.

Ireland Launches Two More Fat-Lamb Cooperatives

The Irish Farmers' Association is launching two more intensive lamb fattening cooperatives in the west of Ireland, reports U.S. Agricultural Attaché C. S. Stephanides, in Dublin. This will bring the total of these cooperatives in operation to six.

One of the new co-ops will have a capacity of 4,000 head, and the second a capacity of 3,000. With a throughput of at least two lots each year, this gives a theoretical total capacity of 8,000 and 4,000 head per year, respectively. These units qualify for a 40-percent European Agricultural Guidance and Guarantee Fund (FEOGA) management grant.

There are four other units already in operation in the Irish speaking "Gaeltacht" areas and they are qualified for 70 percent management and 80 percent materials EC grants. These units each have a total capacity of 6,000 head per year.

Actual lamb production is well below capacity at present, according to Stephanides, and profitability is very much dependent on high market prices.

In practice, this means the availability of the Paris market, for which these lambs are particularly suited. The U.S. Feed Grains Council has been working with the Irish Agricultural Institute on these projects over the past few years and the American Soybean Association has now joined the activity.

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